

Decision No. 48553**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN CALIFORNIA GAS COMPANY)
and SOUTHERN COUNTIES GAS COMPANY)
OF CALIFORNIA for a certificate of) Application No. 34049
public convenience and necessity,)
under Section 1001 of the Public)
Utilities Code.)

T. J. Reynolds, H. P. Letton, Jr., Frederick G. Dutton,
and Milford Springer, for applicants.
Chickering & Gregory, by W. B. Pattee, for San Diego
Gas & Electric Company, interested party; Roger
Arnebergh, T. M. Chubb, and R. W. Russell, for City of
Los Angeles, interested party; California Manufacturers
Association, by Homer R. Ross, interested party.
Lloyd E. Cooper, for Commission staff.

O P I N I O N

Southern California Gas Company and Southern Counties Gas Company of California in this proceeding seek a certificate of public convenience and necessity for the construction and operation of parallel sections of pipeline and other facilities to increase the capacity of the present so-called Texas pipeline.

A public hearing in this proceeding was held in Los Angeles on April 23, 1953, before Commissioner Harold P. Huls and Examiner C. E. Crenshaw, at which no objection to the granting of the certificate was manifested. At the conclusion of the evidence, representatives of the three interested parties expressed their support and approval of the requested certificate as being in the public interest.

In this joint application, which was filed January 27, 1953, applicants propose to construct and operate a 30-inch diameter gas pipeline, approximately 73 miles in length, to loop the present so-called Texas line between Blythe and Whitewater Junction. One section would extend east from Whitewater Junction a distance of approximately 11 miles to connect with an existing 30-inch parallel

pipeline. Another section would extend west from the Cactus City Compressor Station a distance of 19.1 miles to connect with the existing 30-inch parallel pipeline. This would complete a duplicate 30-inch parallel line from Whitewater Junction to Cactus City Compressor Station. The 30-inch parallel line will also be extended approximately 5.4 miles east of the Cactus City Compressor Station. Another segment of parallel 30-inch pipeline will be installed from the Blythe Compressor Station west approximately 37.5 miles. In addition, applicants propose to install three 1760 horsepower gas-driven compressors at Blythe Compressor Station, together with the necessary auxiliary equipment.

These proposed facilities were designed to add approximately 151.7 million cubic feet of natural gas per day to the capacity of the California segment of the Texas pipeline. The estimated cost of the proposed facilities to be constructed by applicants totals \$7,482,194.

According to the record applicants propose to finance this capital investment through available current funds and then later by the issuance of securities. About half of the cost will be financed through the sale of bonds and the remainder through the sale of common stock or through internal funds. These applicants will own the additional facilities as tenants in common, with a 75 per cent interest in Southern California Gas Company and a 25 per cent interest in Southern Counties Gas Company. Their shares of the cost will be approximately \$5,600,000 for Southern California Gas Company and \$1,900,000 for Southern Counties Gas Company.

At the present time there is pending before the Federal Power Commission an application by El Paso Natural Gas Company for a certificate of public convenience and necessity to sell to

Southern California Gas Company and Southern Counties Gas Company of California an additional 151.7 million cubic feet of gas per day, as well as for authorization to construct and operate additional pipeline facilities for the transportation and sale of this additional gas.

Applicants have also applied to the Federal Power Commission for a certificate of public convenience and necessity for the construction and operation of said facilities in California to handle the additional 151.7 million cubic feet of natural gas per day to be purchased from El Paso Natural Gas Company at the California-Arizona boundary near Blythe, California.

According to the evidence presented in this proceeding there is need for the additional amount of gas as applicants are experiencing a continuing decline in California's source of gas due to the diversion of large volumes of California gas by producers to repressuring and pressure maintenance and the lack of significant new oil and gas discoveries in California. This decline in the available gas supply in California, together with an extraordinary population growth and demand for natural gas, has created the necessity for importation of out-of-state gas to supply the market in Southern California.

While in the immediate future, deficiencies in gas supply for meeting firm requirements are not critical or relatively large, it is estimated that they will increase rapidly in a few years due to continued load growth and depletion of gas from California sources.

In order to assure the availability of additional volumes of out-of-state gas when required in the future, it was stated that it is necessary that El Paso Natural Gas Company now contract for such gas in the field and that such contracts be supported by corresponding additional purchase commitments by applicants.

Otherwise, the natural gas will be irrevocably lost to other markets which are actively competing with El Paso Natural Gas Company in the Permian and San Juan Basin areas.

For several years following the initial delivery, most of the additional out-of-state gas referred to in this proceeding has to be absorbed by increased sales to interruptible customers, including steam-electric generating plants. This condition, in so far as the use of natural gas in the steam-electric generating plants is concerned, has been recognized by this Commission and applicants have filed rates for this service in accordance with Decisions Nos. 48396 and 48397 in Applications Nos. 33912 and 33904, respectively. Thus, according to the record, the procurement of additional gas for the ultimate benefit and utilization by firm customers in the not too distant future involves the assumption of certain unavoidable risks which in the judgment of applicants are well justified and in the long range interest of their customers. The risks involve (a) the potential shrinkage of the volume of the interruptible market which would result from a business recession, or (b) the reduction in revenue from industrial customers which would accompany a drop in the market price of competitive fuel oil.

The daily imports through the applicants' segment of the Texas to Los Angeles pipeline have equaled about 43 per cent of their total receipts of gas from all sources. This percentage of imported gas will be greater for the year 1953 in view of the anticipated reduction in California oil-well gas supplies in several major areas and the receipt of the 150 million cubic feet daily of out-of-state gas certificated by this Commission on July 22, 1952, by Decision No. 47494 in Application No. 32528. This increased the capacity of the Texas pipeline from 405 million cubic feet to 555 million cubic feet a day.

Applicants in this proceeding are requesting a certificate for the construction and operation of facilities to increase the capacity of the Texas pipeline to handle an additional 151.7 million cubic feet of gas per day, which would bring the total capacity to 713.1 million cubic feet per day.

Applicants brought out in the hearing that the Pacific Coast area, since the 1940 census, had the highest percentage gain in population in the United States and that California had the highest numerical increase of any state. The 14 Southern California counties in the service areas of applicants had a population of 3,298,739 in the April 1930 census. By 1940 this had increased to 4,169,243. According to the 1950 census the population in the same area was 6,416,180, which represented 60.7 per cent of the State's population and 4.26 per cent of the United States' population. Since 1940 the service areas of applicants have increased in population by over 53 per cent.

During the years 1930 through 1950 the average number of active general service meters of applicants was as follows:

<u>Year</u>	<u>Average Number of Consumers</u>
1930	710,078
1940	930,604
1950	1,482,260

In 1951 the growth in new general service meters was 102,349, which embraced firm domestic and commercial service. At the beginning of 1952 applicants' active meters totaled 1,646,242. These consisted of 1,640,425 general service, 4,782 firm industrial and gas engine, and 1,035 interruptible industrial meters.

Estimates were submitted by applicants in Exhibits Nos. 10 and 12, showing the growth in general service meters as actually experienced for the years 1949 through 1951, and estimated for the years 1952 through 1957.

The following table shows the actual and estimated number of general service meters for the years 1940 through 1957 of applicants and the San Diego Gas & Electric Company, which is supplied by Southern Counties Gas Company of California:

Southern California Area
Meters in Thousands

		Southern Cal. Gas Co.		Southern Co. Gas Co.		San Diego Gas & Electric Company
		Avg. Gen. Service Meters		Avg. Gen. Service Meters		Total Number of Firm Customers
		Lower	Upper	Lower	Upper	
<u>Actual</u>						
1949	1077	-		315	-	131
1950	1140	-		342	-	141
1951	1209	-		375	-	155
<u>Estimated</u>						
1952	1275	1275		405	405	166
1953	1329	1348		436	436	177
1954	1375	1435		464	465	186
1955	1419	1529		486	490	195
1956	1463	1632		504	515	202
1957	1507	1743		520	540	208

It will be noted from the above table that there are two estimates, one on a lower basis and one on an upper basis. The lower estimate is predicated on the belief that the rate of growth currently being experienced is abnormally high and must eventually decrease. The meter growth was assumed to diminish after 1953 so as to gradually approach the prewar rate of growth. The upper estimate reflects the number of meters that would exist should the rate of growth diminish only slightly from the current high level.

Applicants, in Exhibit No. 11, submitted for the Southern California area a tabulation showing the actual and forecasted peak-day gas supply and requirements for the years 1950 through 1958 on both the lower and upper basis. The following tabulation shows the firm requirement, the total supply available, and firm curtailment, by years, for the above period on the basis of excluding the proposed

151.7 million cubic feet out-of-state gas increment and including this proposed increment:

Southern California Area ⁽¹⁾
Actual and Forecasted Peak-Day Gas Supply and Requirements
MMcf/Day - 14.73 Pressure Base

			: Excluding Proposed		: Including Proposed		
			: 151.7 MMcf Out-of-State		: 151.7 MMcf Out-of-State		
	: Mean		: Increment		: Increment		
: Peak	: Temperature	: Firm	: Total Supply	: Firm Cur-	: Total Supply	: Firm Cur-	
: Day	: °F. (2)	: Requirement	: Available	: tailment	: Available	: tailment	

Actual Years

1-12-50	41.8	1,029.5	1,139.5	-	-	-
3-1-51	46.4	1,041.8	1,323.3	-	-	-
1-2-52	44.8	1,178.5	1,433.0	-	-	-

Forecasted Years - Lower Estimate

1952-53	36.0	1,437.8	1,563.2	-	-	-
1953-54	36.0	1,516.7	1,772.9	-	1,924.6	-
1954-55	36.0	1,589.9	1,736.7	-	1,888.4	-
1955-56	36.0	1,651.4	1,703.0	-	1,854.7	-
1956-57	36.0	1,707.8	1,676.2	31.6	1,827.9	-
1957-58	36.0	1,766.2	1,656.8	109.4	1,808.5	-

Forecasted Years - Upper Estimate

1952-53	36.0	1,475.8	1,564.1	-	-	-
1953-54	36.0	1,595.0	1,774.7	-	1,926.4	-
1954-55	36.0	1,713.3	1,739.2	-	1,890.9	-
1955-56	36.0	1,829.0	1,706.9	122.1	1,858.6	-
1956-57	36.0	1,951.1	1,682.6	268.5	1,834.3	116.8
1957-58	36.0	2,080.0	1,665.0	415.0	1,816.7	263.3

(1) Includes Southern California Gas Company, Southern Counties Gas Company, San Diego Gas & Electric Company and Pacific Lighting Gas Supply Company.

(2) Average of eight Southern California U. S. Weather Bureau Stations.

The preceding table of the estimate of gas supply and requirements shows that there will be a resulting deficiency in supply of 31.6 million cubic feet for firm requirements on a peak day during the winter of 1956-1957 under extreme low temperature conditions. The following winter, 1957-1958, the firm deficiency is forecast at 109.4 million cubic feet on a peak day. These deficiencies are forecasted on the lower estimate basis, excluding the proposed 151.7 million cubic feet per day of out-of-state gas increment.

An alternate forecast has been made of the gas requirements assuming that the recent rate of growth in consumption per domestic and commercial meter would continue into the future to show the maximum gas supply needed. This maximum requirement estimate shows a firm deficiency for the winter of 1955-1956 amounting to 122.1 million cubic feet per day of extreme low temperature if additional out-of-state gas is not secured.

For the peak day for the period 1956-1957 under extreme low temperature conditions the deficiency is estimated to be 268.5 million cubic feet per day on the upper estimate, excluding the proposed out-of-state increment of 151.7 million cubic feet per day. If the proposed increment is included there would still be a deficiency of 116.8 million cubic feet per day during 1956-1957.

It is apparent from the preceding tabulation that applicants need the proposed additional out-of-state gas supply.

In Exhibit No. 11, Table 2, applicants submitted a tabulation for the Southern California area of the actual and forecasted annual gas supply and requirements on an annual average day basis showing total supply, firm requirements, interruptible, and balance available to steam-electric plants for the years 1949 through 1957.

The following table shows the actual and forecasted annual gas supply and requirements on an average day basis for the above-mentioned periods:

Southern California Area (1)
Actual and Forecasted Annual Gas Supply and Requirements
Annual Average Day - MMcf/Day - 14.73 Pressure Base

Year	Total Supply (Incl. Underground Storage Withdrawal)	Firm		Interruptible		
		Curtailment (From Monthly Gas Balance with Present Seasonal Storage)	Potential Requirements (Industrial, Wholesale & Exchange)	Served (From Monthly Gas Balance with Present Seasonal Storage)	Balance Gas Available to Steam-Electric Plants (2)	Balance Gas Available to Steam-Electric Plants (2)

Actual Years

1949	790.2	484.0	0.8 ⁽³⁾	319.1	260.3	46.7
1950	891.2	482.5	-	367.6	343.8	64.9
1951	952.5	519.1	-	433.4	379.6	53.8

Forecasted Years - Lower Estimate
Excluding Proposed Out-of-State Increment

1952	963.4	577.1	-	440.2	339.4	46.9
1953	1,019.1	608.3	-	430.0	323.2	87.6
1954	1,032.9	634.6	-	378.4	319.2	79.1
1955	997.7	659.0	-	383.6	292.2	46.5
1956	938.7	674.6	5.1	391.6	257.5	11.7
1957	886.6	692.7	24.9	398.2	218.8	-

Including Proposed Out-of-State Increment

1954	1,142.5	634.6	-	378.4	360.0	147.9
1955	1,141.8	659.0	-	383.6	347.8	135.0
1956	1,088.6	674.6	-	391.6	328.1	85.9
1957	1,038.3	692.7	0.6	398.2	295.6	50.6

Forecasted Years - Upper Estimate
Excluding Proposed Out-of-State Increment

1953	1,019.9	625.7	-	432.2	312.2	82.3
1954	1,033.0	667.4	-	389.1	307.1	58.5
1955	999.7	708.2	9.2	394.6	271.0	29.7
1956	938.9	743.0	27.1	403.4	222.0	1.0
1957	887.0	783.4	68.8	410.7	172.4	-

Including Proposed Out-of-State Increment

1954	1,156.8	667.4	-	389.1	357.4	132.0
1955	1,149.6	708.2	-	394.6	329.2	112.2
1956	1,090.6	743.0	2.2	403.4	294.4	55.4
1957	1,038.7	783.4	30.0	410.7	263.1	22.2

(1) Includes Southern California Gas Company, Southern Counties Gas Company, San Diego Gas & Electric Company and Pacific Lighting Gas Supply Company.

(2) Includes Southern California Edison Company, City of Los Angeles Department of Water & Power and San Diego Gas & Electric Company.

(3) Firm curtailment of San Diego Gas & Electric Company due to limited supply line capacity.

It will be noted from the preceding table that the estimate of annual gas supply shows a firm deficiency on the lower estimate basis averaging 5.1 million cubic feet per average day in 1956 and 24.9 million cubic feet per day in 1957 if the proposed additional out-of-state gas is not obtained.

Upon the assumption of maximum requirements shown by the upper estimate, applicants forecast that the firm deficiencies will be 9.2 million cubic feet per average day in 1955, increasing to 68.8 million cubic feet per day in 1957, if the proposed increased supply from El Paso Natural Gas Company is not received.

In accordance with the service agreement with El Paso Natural Gas Company, applicants have the right to purchase for a 15-year period beginning January 1, 1954, additional average daily quantities in two stages, one third of the proposed total daily volume to be received by applicants beginning January 1, 1954, and the remaining portion to be received beginning November 1, 1954.

The service agreement also provides that if prior to November 1, 1954, El Paso Natural Gas Company has available for delivery any natural gas in excess of the maximum contracted daily demand of 612 million cubic feet, applicants have the right to purchase the additional gas upon request provided El Paso Natural Gas Company has the necessary facilities to deliver it. Under the service agreement applicants have an obligation to take or pay for 91 per cent of the maximum contracted average daily quantity.

In view of the record we conclude that there is an urgent need for the additional amount of natural gas in order that adequate gas service may be maintained by applicants in meeting present and future demands and requirements.

To meet the increasing demands and requirements for gas service it is necessary for applicants to increase the capacity of

the so-called Texas pipeline facilities as previously described. The estimated construction and annual incremental operating costs exclusive of depreciation, taxes and return, were set forth in applicants' Exhibits Nos. 6 and 7 and are shown in the following tables:

Estimated Cost of Construction of Proposed Facilities

Rights of Way	\$ 50,000
Transmission Main	5,770,810
Alterations to Pressure Limiting Stations	174,607
Alterations to Gas Turbine Compressor Stations	109,709
Additional Compressor Facilities	<u>1,377,068</u>
Total Cost	7,482,194

Estimated Operating Cost of All Blythe-Los Angeles Facilities

	Actual Year Ended 8-31-52 405 M ² /Day	Est. 1954 705 M ² /Day at 91% Load Factor	Est. 1954 705 M ² /Day at 100% Load Factor
Operation and Maintenance of Pipeline	\$101,865	\$ 119,500	\$ 119,500
Operation and Maintenance of Compressor Stations (Less Fuel)	146,234	366,080	366,080
Compressor Fuel	159,512	581,472	625,654
Other Operation and Maintenance Costs	174,038	174,600	174,600
General and Administration Expense	70,750	108,000	108,000
Total	<u>652,399</u>	<u>1,349,652</u>	<u>1,393,834</u>

As shown above, estimated operating costs of all Blythe-Los Angeles facilities for the actual year ending August 31, 1952, covering the delivery of 405 million cubic feet per day, are \$652,399. The estimate for 1954 for delivery of 705 million cubic feet per day at 91 per cent load factor shows an operating cost of \$1,349,652. The estimate for 1954 for delivery of 705 million cubic feet per day at 100 per cent load factor shows a cost of \$1,393,834. As the above are estimated costs the Commission at this time is not passing upon the reasonableness of these charges as the actual costs will be of record when construction work is completed and subject to review for rate-fixing purposes.

Since the additional 151.7 million cubic feet of gas is now available and the record sustains the need for this additional amount of gas, we are of the opinion that the certificate requested herein should be granted as soon as possible so that work may be started at the earliest possible date on the installation of the loop line and compressor equipment as previously described in this opinion.

The certificate of public convenience and necessity granted herein is subject to the following provisions of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the construction and operation of a pipeline and compressor facilities by Southern California Gas Company and Southern Counties Gas Company of California in Riverside County, in the area and as shown on the map incorporated in Exhibit No. 3 in this proceeding; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Southern California Gas Company and Southern Counties Gas Company of California to construct and operate said gas pipeline and

compressor facilities for transporting and distributing gas within the territory hereinbefore described.

The authorization herein granted will expire if not exercised within two years from the date hereof.

The effective date of this order shall be twenty days after the date hereof.

Dated at SAN FRANCISCO, California, this 1st day of JUNE, 1953.

R. Z. [Signature]
President.
Justin J. [Signature]
Harold P. [Signature]
[Signature]

Commissioners.

Commissioner Peter E. Mitchell; being necessarily absent, did not participate in the disposition of this proceeding.